

CITY STORES COMPANY

AND

SUBSIDIARY COMPANIES

ANNUAL REPORT

JANUARY 31, 1946

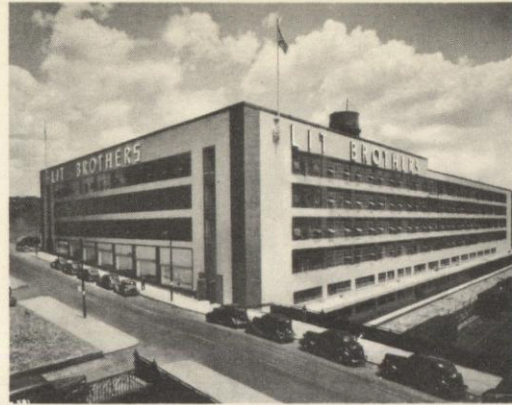
CORPORATE OFFICES
100 WEST TENTH STREET
WILMINGTON 99, DELAWARE

BOARDS
q 658.27
C498r

LIT BROTHERS
Philadelphia, Pa.



LIT BROTHERS
Warehouse,
Philadelphia, Pa.



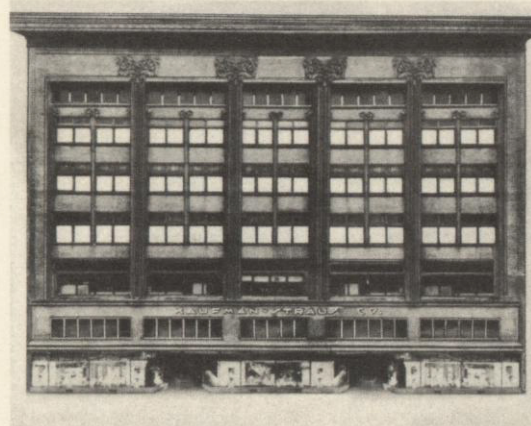
MAISON BLANCHE CO.
New Orleans, La.



B. LOWENSTEIN & BROS., INC.
Memphis, Tenn.



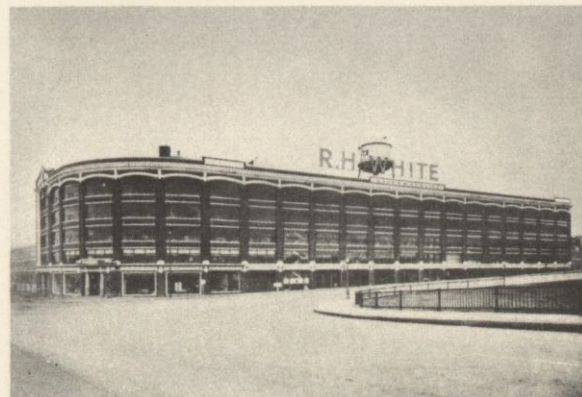
LOVEMAN, JOSEPH & LOEB
Birmingham, Ala.



KAUFMAN-STRAUS CO., INC.
Louisville, Ky.



R. H. WHITE CORPORATION
Boston, Mass.



R. H. WHITE CORPORATION
Warehouse, Cambridge, Mass.

CITY STORES

LIT BROTHERS

Philadelphia, Pennsylvania

Established 1891

MAISON BLANCHE COMPANY

New Orleans, Louisiana

Established 1887

B. LOWENSTEIN & BROS., INC.

Memphis, Tennessee

Established 1855

LOVEMAN, JOSEPH & LOEB

Birmingham, Alabama

Established 1887

KAUFMAN-STRAUS COMPANY, INC.

Louisville, Kentucky

Established 1879

R. H. WHITE CORPORATION

Boston, Massachusetts

Established 1858

OPPENHEIM, COLLINS & CO., INC.

New York, N. Y.	1901	Philadelphia, Pa.	1903
Brooklyn, N. Y.	1906	Buffalo, N. Y.	1905
Garden City, N. Y.	1938	White Plains, N. Y.	1941

CITY STORES COMPANY

OFFICERS

ALBERT M. GREENFIELD	<i>Chairman of the Board</i>
SAUL COHN	<i>President</i>
DR. WILLIAM D. GORDON	<i>Executive Vice President and Treasurer</i>
MEYER FELDMAN	<i>Vice President</i>
MILTON A. KAMSLER	<i>Secretary</i>
GORDON K. GREENFIELD	<i>Asst. Secretary and Asst. Treasurer</i>
BENJAMIN SCHNECK	<i>Corporate Controller</i>

DIRECTORS

GUSTAVE G. AMSTERDAM Philadelphia, Pa.	JOSEPH H. LOVEMAN Birmingham, Ala.
C. GORDON ANDERSON* Miami, Fla.	E. PERKINS MCGUIRE* Boston, Mass.
ALFRED BLASBAND Philadelphia, Pa.	WILLIAM T. POSEY South Orange, N. J.
DAVID BORTIN Philadelphia, Pa.	DR. ISRAEL J. RACHLIN Newark, N. J.
SAUL COHN Newark, N. J.	HARRY W. SCHACTER Louisville, Ky.
DR. WILLIAM D. GORDON Philadelphia, Pa.	AARON R. SCHARFF Memphis, Tenn.
ALBERT M. GREENFIELD Philadelphia, Pa.	FRANK SCHMANDT* New York, N. Y.
GORDON K. GREENFIELD New York, N. Y.	HERBERT J. SCHWARTZ New Orleans, La.
WALTER T. GROSSCUP Philadelphia, Pa.	HARRY G. SUNDHEIM Philadelphia, Pa.
GEORGE H. JOHNSON Philadelphia, Pa.	JOHN J. TURTELTAUB New York, N. Y.

**Elected March 1946*

Auditors

ERNST & ERNST
19 Rector Street
New York, N. Y.

Counsel

SUNDHEIM, FOLZ, KAMSLER & GOODIS
1315 Walnut Street
Philadelphia, Pa.

Transfer Agent

CENTRAL HANOVER BANK & TRUST CO.
70 Broadway
New York, N. Y.

Registrar

THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK
11 Broad Street, New York, N. Y.

ANNUAL REPORT
FOR YEAR ENDED JANUARY 31, 1946

April 24, 1946

To the Stockholders:

The purpose of this Annual Report is to give a clear and concise picture of the progress and growth of your Company during the past year, as well as an account of its financial condition and its sales and profits. The financial statements with the report of independent auditors consist of the balance sheets of City Stores Company individually and consolidated with its subsidiaries. You will also find balance sheets of the subsidiaries and statements of profit and loss and surplus of this Company individually and consolidated with its subsidiaries.

The accompanying statements reflect the strongest financial condition in the history of your Company.

SALES

For the fiscal year sales of all units, either wholly-owned or controlled by this Company, amounted to \$100,672,187 (including sales of Oppenheim, Collins & Co., Inc., from October 20, 1945, the date upon which City Stores Company acquired a majority interest). The number of sales transactions in each of the subsidiaries exceeded previous experience and the average unit sale likewise was increased. Sales and net profit for the year were at a record high.

EARNINGS

Net profit for the fiscal year ended January 31, 1946 amounted to \$2,824,127, after provision for income taxes, depreciation, minority interests, contributions to employee welfare foundations, funding of employees' pensions, loss on sale of real estate (excepting that portion of loss on sale of Lit Brothers property charged to surplus), compared with net profit of \$2,131,638 for the preceding year, or an increase of \$692,489. Net profit for the fiscal year just ended is equal to \$1.75 per share, compared with \$1.32 per share for the year ended January 31, 1945.

The proportion of loss on sale of Lit Brothers property applicable to City Stores Company amounted to \$4,432,701, of which \$2,161,121 has been charged to profit and loss being

CITY STORES COMPANY

equivalent to income taxes from operations of that company for the year which were eliminated thereby. The remainder of the loss applicable to City Stores Company—after applying a credit for refundable federal taxes of prior years resulting from the transaction—was \$1,362,538, and has been charged to surplus.

DIVIDENDS

Dividends were paid regularly at quarterly periods at the rate of 12½c per share on the outstanding Class A and Common stocks until November 1, 1945, when the rate was increased to 15c per share. Your directors, after giving consideration to increased earnings and the improved financial condition of the Company, again increased the dividend rate to 20c per share quarterly, effective May 1, 1946.

FINANCIAL CONDITION

One of the basic purposes of your management during this year was to strive for a continuing increase in the financial strength of your Company. There results an increase in net current assets from \$14,976,241 at January 31, 1945, to \$22,484,149 at January 31, 1946, or \$7,507,908 more than a year ago. The combined holdings of cash and marketable securities increased from \$11,740,312 to \$20,033,298.

LONG TERM OBLIGATIONS

During the year City Stores Company and subsidiaries reduced its long term obligations in the net amount of \$4,826,586.

NEWS OF THE YEAR

Lit Brothers Sale of Real Estate

In furtherance of the management's policy of attempting to limit its investment in fixed assets and of improving its working capital, Lit Brothers on January 29, 1946 sold the property used in the operation of its business at Eighth and Market Streets, Philadelphia, to the University of Pennsylvania for the sum of \$4,187,500. This price was based upon the average of four independent appraisals of the property.

C I T Y S T O R E S C O M P A N Y

At the closing of the transaction, Lit Brothers was released from all liability on its bond accompanying the mortgage of \$3,800,000 held by Metropolitan Life Insurance Company on the property.

At the time of settlement, Lit Brothers entered into a lease with the University of Pennsylvania for a term of twenty-three years at a net annual rental of \$275,000, in addition to which rental, the lease provides that Lit Brothers pay all taxes, insurance, repairs, maintenance and other similar charges and with the privilege of making alterations and improvements at its expense. The lease further grants to Lit Brothers options for three additional terms of twenty-three years, each at a rental to be fixed by appraisers prior to the commencement of each rental term.

Sale of Radio Station WFIL

The radio equipment and franchises of Stations WFIL and WFIL-FM owned by WFIL Broadcasting Company, a wholly-owned subsidiary of Lit Brothers, have been sold to the Philadelphia Inquirer for \$1,900,000. After reserving taxes at current rates applicable to the taxable gain involved, the profit amounted to approximately \$1,275,000. This profit is not reflected in the statements of financial condition and operations attached to this letter, as the sale was consummated subsequent to January 31, 1946.

Refunding Maison Blanche Realty Company Loan

This company, a subsidiary of Maison Blanche Company, refunded its mortgage loan outstanding in the sum of \$1,125,000 at 4% by obtaining a loan of \$1,000,000 from The Chase National Bank of the City of New York at 1 $\frac{3}{4}$ %, payable in twelve quarterly installments. This property is a 100% location in the heart of the principal retail shopping district of New Orleans. It is a 12-story building, of which the first five floors are occupied by the store and the balance of the building is leased to responsible tenants. The present operations of the building are more than sufficient to service the loan requirements.

Retirement of Loveman, Joseph & Loeb Preferred Stock

Loveman, Joseph & Loeb of Birmingham, Alabama, reduced the principal amount of its Preferred stock issue from \$259,700 to \$119,900 by January 31, 1946. On January 29,

C I T Y S T O R E S C O M P A N Y

1946, notice was given to the Preferred stockholders that it would redeem the balance on May 1, 1946, pursuant to the terms of the Preferred stock certificate. Retirement of this stock eliminates an annual dividend charge of 7%, permitting the earnings of this subsidiary to inure to the benefit of City Stores Company stockholders.

Loan on R. H. White Property—Boston

R. H. White Realty Company, wholly-owned subsidiary of the R. H. White Corporation, owns the five-story warehouse property in Cambridge, Massachusetts, used by the store. The owner obtained a loan of \$425,000 at 4% from Prudential Insurance Company of America for a period of fifteen years, at the termination of which the loan will have been entirely liquidated by monthly payments.

EXPANSION

Oppenheim, Collins & Co., Inc.

On September 11, 1946, the Company purchased 93,158 shares (\$10.00 par value) of Oppenheim, Collins & Co., Inc. Common stock at a total cost of \$2,059,000. Thereafter it acquired 8,500 shares at an average cost of \$22.60 per share, so that it now owns 101,658 shares out of a total of 199,963 shares outstanding.

Oppenheim, Collins & Co. began business in 1901. The first store was on East 20th Street in New York City. In 1907 the company moved the New York store to the present site on West 34th Street in the Herald Square section. On five separate occasions it has been necessary to enlarge this store. By 1924, the present group of stores in New York, Brooklyn, Philadelphia and Buffalo were firmly established. Incorporation of the company dates from that year. Oppenheim, Collins & Co., Inc., also operates two suburban branch stores in Garden City, Long Island and White Plains, New York, and does a large mail order business.

Second Avenue Property—Birmingham, Alabama

Loveman, Joseph & Loeb, through Home Finance Corporation, a wholly-owned subsidiary, purchased from an insurance company the property at 1816 Second Avenue, Bir-

mingham, Alabama, for \$250,000. This property will permit the moving over of some merchandise and service departments so as to relieve the congestion in the main building and thus gain valuable selling space. Possession of the property will be obtained in 1947.

Modernization of Properties

During the year work was begun on a number of projects which we referred to as "unfinished business" in our last report. The fifth floor at Maison Blanche was modernized and has attracted warm public approval. Work has been begun on the Union Avenue property at Lowenstein's in Memphis purchased during 1944. Also Lit Brothers have undertaken the program of substantial improvements at Philadelphia. The intention is to develop more sales per square foot in each of the store units rather than to erect additional buildings.

INCREASE IN NUMBER OF STOCKHOLDERS

During the fiscal year the number of stockholders owning City Stores Company Common stock was increased through the sale by Bankers Securities Corporation of 100,000 shares through Lehman Brothers, New York, and a group of underwriters acting with them.

EMPLOYEE WELFARE

Foundations have been established by Lit Brothers, Loveman, Joseph & Loeb, Maison Blanche Company, Kaufman-Straus Company, Inc., B. Lowenstein & Bros., Inc. and the R.H. White Corporation. The purpose of these foundations is to render financial assistance to employees or former employees of the respective stores and to aid educational and similar organizations.

All the stores have an active Veterans' return program, which seeks to restore them to their positions and to train them to take on more important duties.

TEN YEARS SUMMARY OF OPERATIONS

The activities of this Company during the past 10 years have been in the hands of your present staff of officers and managers. The executive management of the units during this entire period remained unchanged, except for the addition of E. Perkins McGuire as President of the R. H. White Corporation and Frank Schmandt as President of Oppenheim, Collins & Co., Inc., both recently acquired units.

CITY STORES COMPANY

The progress which your Company has made during the past ten years is graphically shown by the following summary:

<u>Year Ended January 31</u>	<u>Sales</u>	<u>Federal and State Income Taxes</u>	<u>Net Earnings</u>	<u>Earnings Per Share</u>
1946	\$100,672,187	\$7,643,164A	\$2,824,127A & B	\$1.75C
1945	76,721,832	7,444,440	2,131,638B	1.32C
1944	67,898,670	5,495,666	1,869,512B	1.54
1943	60,623,556	3,677,860	1,332,687	1.10
1942	53,872,064	1,534,105	1,408,175	1.16
1941	45,222,974	581,307	1,139,962	.94
1940	41,450,777	434,390	859,300	.71
1939	36,850,877	159,485	63,846	.05
1938	40,184,459	344,249	578,268	.48
1937	38,436,184	333,636	616,776	.51

A Includes portion of loss on sale of store property of a subsidiary equivalent to income taxes; balance of loss has been charged to surplus.

B From such earnings, provision for post war contingencies have been made by subsidiaries, of which City Stores Company's proportion amounts to \$82,328 for the fiscal year ended January 31, 1946, \$116,632 for the fiscal year ended January 31, 1945 and \$355,815 for the fiscal year ended January 31, 1944.

C Reflects issuance of 400,000 shares Class "A" stock.

IN CONCLUSION

Due to conditions resulting from the close of the war, which conditions are too well-known to stockholders to need recital, there were required special alertness and ability on the part of our officers and employees. Notwithstanding the difficulties, the Company has maintained standards of efficiency. This has been due to the loyal support of our co-workers and the good-will of our customers and our suppliers.

We welcome warmly the return of our veterans from service in our Armed Forces.

The Company is prepared to adjust itself to new conditions and to utilize the better skills learned during the war years.

By order of the
Board of Directors.

ALBERT M. GREENFIELD,
Chairman of the Board.

SAUL COHN,
President.

ERNST & ERNST

19 RECTOR STREET

NEW YORK

BOARD OF DIRECTORS,
CITY STORES COMPANY,
WILMINGTON, DELAWARE.

We have examined the consolidated balance sheet of City Stores Company and subsidiaries and have examined (with the exception noted below) the balance sheets of the individual companies as of January 31, 1946, and the statements of profit and loss and surplus of City Stores Company and the consolidated statements of profit and loss and surplus of that Company and its subsidiaries for the fiscal year then ended; have reviewed the systems of internal control and the accounting procedures of the companies, and without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. The consolidated financial statements of Oppenheim, Collins & Co., Inc., and its subsidiary companies were not examined by us and have been incorporated in the accompanying consolidated financial statements on the basis of a report by other independent accountants.

Our examination included tests of accounts receivable by direct communication with a selected number of customers. We were present at stores at appropriate times during the taking of inventories and observed procedures followed by the companies in determination of quantities and made test counts of quantities.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus, and the balance sheets of the individual companies examined by us, present fairly the consolidated position of City Stores Company and its subsidiaries and of the individual companies at January 31, 1946, and the consolidated results of their operations and of the operations of City Stores Company for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

April 24, 1946.

CITY STORES COMPANY

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash.....		\$10,554,651.42
Marketable securities:		
United States Government securities—at cost and accrued interest....	\$9,379,436.29	
Other—at market and accrued interest.....	99,210.50	9,478,646.79
Accounts receivable from customers (including \$2,024,435.54 of installment accounts) less reserves of \$724,686.79.....		8,281,454.80
Accounts and notes receivable from vendors and tenants, less reserve of \$10,000.00.....		296,245.81
Refundable portion of excess profits taxes.....		9,421.13
Merchandise inventories, less reserves of \$409,370.68 as shown in subsidiary companies' balance sheets—Note A.....		9,798,236.94
TOTAL CURRENT ASSETS.....		\$38,418,656.89

INVESTMENTS AND OTHER ASSETS:

Investments:

United States Government securities and accrued interest—Note B.....	\$ 276,432.29	
Capital stock of a parent company (approximate market value \$613,250.00)—at cost.....	177,025.00	
Mortgages receivable (including \$266,710.20 purchased through a parent company or other affiliates)	284,876.90	
Stock of City Stores Company (520 shares of common stock owned by subsidiaries).....	5,165.76	
Sundry investments, less reserves of \$11,558.82.....	207,519.82	\$ 951,019.77
Officers, employees and sundry notes and accounts receivable, deposits, etc. (\$10,000.00 due from officer of a subsidiary company secured by capital stock of a parent company).....	165,145.63	
Claims against closed banks, less reserves of \$2,679.75.....	23,958.53	
Cash surrender value of life insurance.....	47,693.27	
Refundable taxes on income of prior years—estimated.....	1,390,000.00	2,577,817.20

LAND, BUILDINGS, EQUIPMENT AND IMPROVEMENTS—Note D:

Land.....		\$7,230,712.80
Buildings, fixtures and equipment.....	\$16,570,752.47	
Less reserves for depreciation.....	7,494,752.30	9,076,000.17
Improvements to leased properties.....	\$ 722,437.20	
Less reserves for amortization.....	327,756.73	394,680.47
		16,701,393.44

GOOD WILL (carried on books of subsidiaries in total amount of \$2,792,158.27).....	1.00
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DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, unamortized mortgage expense, prepaid taxes and expenses.....	780,713.54
	<u>\$58,478,582.07</u>

AND SUBSIDIARY COMPANIES

SHEET, JANUARY 31, 1946

LIABILITIES

CURRENT LIABILITIES:

Bank loan installments due within one year—Note E.....		\$	915,000.00
Mortgage note and installments due within one year:			
Mortgage note.....	\$ 427,000.00		
Installments.....	201,308.54		628,308.54
Accounts payable for merchandise, etc.....			7,461,952.36
Accrued salaries, wages, taxes, interest, etc.....			1,688,306.89
Dividends payable:			
By parent company.....	\$ 241,260.15		
By subsidiary companies.....	76,793.05		318,053.20
Federal and state taxes on income—estimated—Notes A and F.....	\$5,980,810.94		
Less United States Government tax notes purchased for payment of such taxes when due.....	1,057,923.90		4,922,887.04
TOTAL CURRENT LIABILITIES.....			\$15,934,508.03

LONG TERM OBLIGATIONS—Note E:

Notes payable to bank.....	\$4,501,000.00		
Less installments included in current liabilities.....	915,000.00	\$3,586,000.00	
Notes payable to Bankers Securities Corporation, a parent company....		2,400,000.00	
Mortgages.....	\$6,200,772.86		
Less installments included in current liabilities.....	201,308.54	5,999,464.32	
Commission payable.....		80,000.00	12,065,464.32

RESERVES:

For redemption of trading stamps, self-insurance, etc.....	\$1,148,155.29		
For contingencies.....	890,000.00		
For restoration of leased property.....	441,899.00		
For income taxes on installment sales gross profit (deferred for tax purposes)—estimated.....	180,000.00		2,660,054.29

DEFERRED:

Unrealized gross profit and carrying charges on installment sales—Note G	\$ 141,879.67		
Deposit on sale of radio station.....	250,000.00		
Sundry.....	11,568.21		403,447.88

MINORITY INTERESTS:

Preferred stock of subsidiary companies outstanding—at par.....	\$3,015,364.00		
Accrued undeclared dividends to January 31, 1946.....	605,192.26		
Common stock of subsidiary companies.....	1,400,812.00		
Surplus applicable thereto.....	2,345,073.80		7,366,442.06

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:			
Class A—6% cumulative and participating:			
700,000 shares authorized.....	\$3,500,000.00		
300,000 shares unissued.....	1,500,000.00		
400,000 shares issued and outstanding.....		\$2,000,000.00	
Common:			
1,900,000 shares authorized.....	\$9,500,000.00		
689,957 8/12 shares unissued.....	3,449,788.34		
1,210,042 4/12 shares issued.....	\$6,050,211.66		
1,641 4/12 shares in treasury.....	8,206.66		
1,208,401 shares outstanding.....		6,042,005.00	
		\$8,042,005.00	

Surplus:

Capital surplus.....	\$1,875,808.10		
Earned surplus (since Feb. 1, 1935)—Notes C, E and F	10,130,852.39	12,006,660.49	20,048,665.49
			\$58,478,582.07

Notes referred to above follow hereafter.

CITY STORES COMPANY AND SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED PROFIT AND LOSS STATEMENT*
THREE YEARS ENDED JANUARY 31, 1946

	Year Ended January 31, 1946	Year Ended January 31, 1945	Year Ended January 31, 1944
NET SALES—including sales of leased departments.....	\$100,672,187	\$76,721,832	\$67,898,670
COST OF GOODS SOLD—Note A.....	64,708,299	49,139,194	43,612,278
GROSS PROFIT ON SALES.....	\$ 35,963,888	\$27,582,638	\$24,286,392
INCOME FROM BROADCASTING AND ADJUSTMENTS FOR INSTALLMENT ACCOUNTS.....	1,019,464	981,739	706,365
TOTAL GROSS PROFIT.....	\$ 36,983,352	\$28,564,377	\$24,992,757
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....	25,152,787	17,923,507	16,408,498
	\$ 11,830,565	\$10,640,870	\$ 8,584,259
OTHER INCOME:			
Interest.....	192,613	159,446	126,278
Rentals and miscellaneous.....	1,222,209	651,522	495,502
	\$ 13,245,387	\$11,451,838	\$ 9,206,039
OTHER DEDUCTIONS:			
Interest on City Stores Company's long term obligations	170,287	139,298	240,875
Interest on mortgages, notes payable, etc.....	500,545	373,498	383,386
Provision for depreciation and amortization.....	824,789	670,762	616,380
Cost of annuities purchased for pensioned employees of Lit Brothers.....	496,805	—0—	—0—
Provision for sundry charges, doubtful accounts, loss on disposal of equipment, etc. (net).....	171,420	254,740	129,634
TOTAL OTHER DEDUCTIONS.....	\$ 2,163,846	\$ 1,438,298	\$ 1,370,275
NET PROFIT BEFORE PROVISION FOR TAXES ON INCOME.....	\$ 11,081,541	\$10,013,540	\$ 7,835,764
FEDERAL AND STATE TAXES ON INCOME—ESTIMATED— Note A:			
Provision for current year:			
Federal normal income tax and surtax.....	1,114,816	957,105	1,029,671
Federal excess profits tax.....	3,300,550	6,211,400	4,285,580
State income tax.....	82,684	212,292	189,092
Adjustments of prior years.....	(4,886)	63,643	(8,677)
Portion of loss on sale of main store property of sub- sidiary company equivalent to taxes on income from operations of such subsidiary company for the current year, thereby eliminated—Note C (Balance of loss— \$3,311,004.40—charged to surplus of such subsidiary)	3,150,000	—0—	—0—
	\$ 7,643,164	\$ 7,444,440	\$ 5,495,666
	\$ 3,438,377	\$ 2,569,100	\$ 2,340,098
Less amount applicable to preferred and common stocks of subsidiary companies not owned by City Store Com- pany.....	614,250	437,462	470,586
PROFIT APPLICABLE TO CITY STORES COMPANY BEFORE MAKING PROVISION FOR CONTINGENCIES—Note C.	\$ 2,824,127	\$ 2,131,638	\$ 1,869,512
PROVISION FOR CONTINGENCIES:			
After deducting portions applicable to minority interests (\$94,185 in 1944, \$53,368 in 1945 and \$37,672 in 1946)	82,328	116,632	355,815
BALANCE TRANSFERRED TO EARNED SURPLUS.....	\$ 2,741,799	\$ 2,015,006	\$ 1,513,697

Notes referred to above follow hereafter.

* Includes operations of R. H. White Corporation and its subsidiary company from December 19, 1944 and of Oppenheim, Collins & Co., Inc., and its subsidiary companies from October 20, 1945.

CITY STORES COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED SURPLUS YEAR ENDED JANUARY 31, 1946

EARNED SURPLUS:

Balance at February 1, 1945..... \$ 9,687,666.40

ADD:

Consolidated net profit applicable to City Stores Company.....	\$2,741,799.13	
Transfer from minority interest in preferred stock of a subsidiary company the amount of accrued undeclared dividends on such stock acquired during year (applicable to periods subsequent to reorganization of City Stores Company on January 31, 1935).....	3,580.74	2,745,379.87
		\$12,433,046.27

DEDUCT:

Dividends declared:		
On Class A stock—55c per share.....	\$ 220,000.00	
On Common stock—55c per share.....	664,357.17	\$ 884,357.17
Portion of loss of \$6,461,004.40 on sale of main store property of a subsidiary company of which \$3,150,000 has been charged to profit and loss—less amount applicable to minority interest—Note C.....	\$2,271,580.79	
Deduct taxes of prior years refundable, because of above loss, through carry-back provisions of Internal Revenue Code (\$1,325,000.00)—less amount applicable to minority interest—Note C.....	909,042.75	1,362,538.04
Adjustment of reserve for decline in value of investments of a subsidiary company (\$11,859.81)—less portion applicable to minority interest..	6,029.34	
Transfer to capital surplus of amount equal to excess of purchase price over par value of preferred stock of subsidiary company—(see capital surplus below).....		48,191.60
Portion of excess of purchase price over par value of its own preferred stock acquired by a subsidiary company.....		909.75
Excess of purchase price of shares of common stock of a subsidiary company acquired during the year over the equity in net assets applicable to such shares.....	167.98	2,302,193.88
		\$10,130,852.39

EARNED SURPLUS—BALANCE—JANUARY 31, 1946—Notes E and F.....

CAPITAL SURPLUS:

Balance at February 1, 1945..... \$ 1,544,296.03

ADD:

Excess of equity in net assets of a subsidiary company at date of acquisition over cost of its capital stock purchased.....	\$ 283,564.92	
Excess of purchase price over par value of preferred stock of a subsidiary company acquired by parent company and charged to consolidated capital surplus in prior years; such stock purchased by the subsidiary company during the year and the excess of purchase price over par value now charged to earned surplus.....		48,191.60
Transfer from minority interest in preferred stock of a subsidiary company the amount of accrued undeclared dividends on such stock acquired during year (applicable to periods prior to reorganization of City Stores Company on January 31, 1935).....	1,790.05	333,546.57
		\$ 1,877,842.60

DEDUCT:

Portion of excess of purchase price over par value of its own preferred stock acquired by a subsidiary company.....		2,034.50
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CAPITAL SURPLUS—BALANCE—JANUARY 31, 1946..... \$ 1,875,808.10

TOTAL SURPLUS—BALANCE—JANUARY 31, 1946..... \$12,006,660.49

Notes referred to above follow hereafter.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1946

NOTE A—Inventories of merchandise on hand are priced on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of “last-in, first-out” in determination of cost, except as to two subsidiary companies, the inventories (totaling \$3,104,596.71) of which are stated on the basis of cost or market, whichever is lower as determined by the retail inventory method. Merchandise in transit is priced at invoice cost. The basis of “last-in, first-out”, which has been adopted by the Company for the past five fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1946 by \$1,310,164.02, and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$11,000.00. The provision for federal taxes on income has been made on the basis of using the principle of “last-in, first-out” for inventory valuation, which basis the Commissioner of Internal Revenue has proposed to disallow. If the Commissioner’s position is sustained the taxable income will be increased by approximately the aforementioned reduction of merchandise inventories for the five fiscal years to which the “last-in, first-out” basis has been applied, with a resulting tax liability of approximately \$900,000.00, plus interest. The net effect on consolidated earned surplus would be an increase of approximately \$300,000.00.

NOTE B—Lit Brothers, as lessee of the main store property sold by it during the fiscal year, has agreed to make extensions, additions, alterations and improvements to the leased property during the ensuing two fiscal years, amounting to not less than \$1,000,000.00, or in lieu thereof, to purchase a subordinated interest of a like sum, in the present mortgage on the leased property. Government bonds in the principal sum of \$275,000.00 have been deposited with the lessor, as security for performance of the terms and conditions of the lease.

NOTE C—During the fiscal year, Lit Brothers sold its main store property at a loss of \$6,461,004.40. As a result of the loss, no provision for taxes on income of that company for the current fiscal year has been made, and refundable taxes on income of prior years have been estimated in the sum of \$1,325,000.00 through application of the carry-back provisions of the Internal Revenue Code. Lit Brothers has received a ruling from the Bureau of Internal Revenue stating that any loss sustained on the sale of the property is deductible for tax purposes, but the amount of deductible loss is subject to final determination. Of the aforementioned loss of \$6,461,004.40, \$3,150,000.00 has been charged to profit and loss, and the remainder of \$3,311,004.40 (less estimated amount of refundable taxes of prior years resulting from the transaction) has been charged to surplus.

NOTE D—Stated at cost to subsidiary companies paid for either in cash or in capital stock at time of organization, except as to (1) Kaufman-Straus Company, Inc., where furniture, fixtures, improvements to leased buildings, etc., are stated at sound value as determined in January, 1936, by The American Appraisal Company, plus subsequent additions at cost, (2) Kenville Realty Company, where land has been written down and (3) Oppenheim, Collins & Co., Inc., where furniture, fixtures and improvements are stated at nominal value of \$1.00 as at July 31, 1934 plus subsequent additions at cost.

NOTE E—Long term obligations comprise the following:

Of parent company:

Notes payable to bank (1):

3%—payable in four equal serial installments of \$416,000.00 on the 15th day of December in each year commencing December 15, 1946 and \$420,000.00 on December 15, 1950.....	\$2,084,000.00
Less installment included in current liabilities.....	416,000.00

FORWARD..... \$ 1,668,000.00

CITY STORES COMPANY AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued

NOTE E—Continued

FORWARD.....		\$ 1,668,000.00
3%—payable in six equal serial installments of \$250,000.00 on the 15th day of September in each year commencing September 15, 1946.....	\$1,500,000.00	
Less installment included in current liabilities.....	250,000.00	1,250,000.00
Notes payable to Bankers Securities Corporation, a parent company: (subordinate to the notes payable to bank above)		
3%—payable September 15, 1951.....	\$1,000,000.00	
4%—payable September 15, 1951.....	1,400,000.00	2,400,000.00
Commission payable.....		80,000.00
		<u>\$ 5,398,000.00</u>
Of subsidiaries:		
Note payable to bank:		
1 $\frac{3}{4}$ %—maturing \$83,000.00 quarterly from May 1, 1946, through August 1, 1948, and \$87,000.00 on November 1, 1948.....	\$ 917,000.00	
Less installments included in current liabilities.....	249,000.00	668,000.00
Real estate mortgages and mortgage notes.....	\$6,200,772.86	
Less installments included in current liabilities.....	201,308.54	5,999,464.32
		<u>\$12,065,464.32</u>

- (1) Under the provisions of the loan agreements, City Stores Company has the right on any interest payment date, upon thirty days written notice to the bank, to prepay as a whole the then last maturing installment or installments of principal of the notes upon payment of a premium of $\frac{1}{4}$ of 1% of the principal amount so prepaid. Until payment in full of the notes and interest thereon, the Company covenants, among other things, that:

It will maintain consolidated current assets (as defined) in excess of consolidated current liabilities (as defined) by at least \$12,000,000.00 and in a ratio of at least two to one.

It will not, without the written consent of the bank, declare any dividends, in any fiscal year of the Company, on any shares of the Company's capital stock (except dividends payable in shares of stock of the Company) unless, after giving effect to such dividends, the aggregate amount of all such dividends in such fiscal year will not exceed the consolidated net profit of the Company and its subsidiaries for such fiscal year, after deducting from such consolidated net profit the total principal amount of all indebtedness of the Company maturing during such fiscal year.

NOTE F—These statements are subject to adjustment, if any, upon final determination of liability for federal taxes on income, including the matters referred to in Notes A and C above.

NOTE G—Deferred income from installment sales is comprised of (1) carrying charges not earned at January 31, 1946 on customers' installment sales as to two subsidiaries and (2) unearned carrying charges and unrealized gross profit on installment sales as to three subsidiaries.

NOTE H—Reference is made to the pertinent notes appearing on the accompanying balance sheets of City Stores Company and subsidiary companies.

BALANCE SHEET,

ASSETS

INVESTMENTS IN AND DIVIDEND RECEIVABLE FROM SUBSIDIARY
COMPANIES:

Investments in securities—Note A:

City Stores Company proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1935, plus (a) subsequent acquisitions of capital stocks of subsidiaries at cost and (b) \$33,038.35 representing cancellation of subsidiary company's indebtedness to City Stores Company at January 31, 1937.....

\$19,205,509.99

Dividend receivable..... 150,300.00

\$19,355,809.99

CURRENT ASSETS:

Cash..... 108,767.30

OTHER ASSETS:

Investment in capital stock of Affiliated Retailers, Inc.—Note B..... 84,000.00

EQUIPMENT—AT COST:

Furniture and fixtures..... \$ 4,613.63

Less reserve for depreciation..... 1,446.27

3,167.36

DEFERRED CHARGES:

Prepaid insurance and expenses..... 696.17

\$19,552,440.82

JANUARY 31, 1946

LIABILITIES

CURRENT LIABILITIES:

Bank loan installments due in 1946.....		\$	666,000.00
Accounts payable:			
Subsidiary companies.....	\$	90,793.54	
Commissions.....		50,000.00	
For expenses, etc.....		13,947.08	154,740.62
Accrued accounts:			
Interest.....	\$	20,751.11	
Taxes, etc.....		5,072.63	25,823.74
Dividends—payable February 1, 1946.....			241,260.15
Federal taxes on income—estimated—Note D.....			100,000.00
TOTAL CURRENT LIABILITIES.....		\$	1,187,824.51

LONG TERM OBLIGATIONS:

Notes payable to bank—Note C:

3%—payable in four equal serial installments of \$416,000.00 on the 15th day of December in each year commencing December 15, 1946 and \$420,000.00 on December 15, 1950.....	\$2,084,000.00	
Less installment included in current liabilities.....	416,000.00	\$1,668,000.00
3%—payable in six equal serial installments of \$250,000.00 on the 15th day of September in each year commencing September 15, 1946.....	\$1,500,000.00	
Less installment included in current liabilities.....	250,000.00	1,250,000.00

Notes payable to Bankers Securities Corporation, a parent company:

(subordinate to the notes payable to bank above)		
3%—payable September 15, 1951.....	\$1,000,000.00	
4%—payable September 15, 1951.....	1,400,000.00	2,400,000.00

Commission payable in four equal installments of \$20,000.00 on the 1st day of February in each year commencing February 1, 1947.....	80,000.00	5,398,000.00
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CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:

Class A—6% cumulative and participating:		
700,000 shares authorized.....	\$3,500,000.00	
300,000 shares unissued.....	1,500,000.00	
400,000 issued and outstanding.....		\$2,000,000.00

Common:

1,900,000 shares authorized.....	\$9,500,000.00	
689,957 8/12 shares unissued.....	3,449,788.34	
1,210,042 4/12 shares issued.....	\$6,050,211.66	
1,641 4/12 shares in treasury.....	8,206.66	
1,208,401 shares outstanding.....		6,042,005.00
		\$8,042,005.00

Surplus:

Capital surplus.....	\$1,060,685.45	
Earned surplus (since February 1, 1935)—Notes C and D.....	3,863,925.86	4,924,611.31
		12,966,616.31
		\$19,552,440.82

Notes referred to above follow hereafter.

NOTES TO BALANCE SHEET

JANUARY 31, 1946

NOTE A—City Stores Company proportion of net tangible assets at January 31, 1946 amounted to \$26,287,558.17.

NOTE B—The Company is committed to the purchase of an additional 41 shares of capital stock of Affiliated Retailers, Inc., at a price of \$2,000.00 per share, at such time and from time to time as Affiliated Retailers, Inc. may call upon the Company so to do.

NOTE C—Under the provisions of the loan agreements, City Stores Company has the right on any interest payment date, upon thirty days written notice to the bank, to prepay as a whole the then last maturing installment or installments of principal of the notes upon payment of a premium of $\frac{1}{4}$ of 1% of the principal amount so prepaid. Until payment in full of the notes and interest thereon, the Company covenants, among other things, that:

It will maintain consolidated current assets (as defined) in excess of consolidated current liabilities (as defined) by at least \$12,000,000.00 and in a ratio of at least two to one.

It will not, without the written consent of the bank, declare any dividends, in any fiscal year of the Company, on any shares of the Company's capital stock (except dividends payable in shares of stock of the Company) unless, after giving effect to such dividends, the aggregate amount of all such dividends in such fiscal year will not exceed the consolidated net profit of the Company and its subsidiaries for such fiscal year, after deducting from such consolidated net profit the total principal amount of all indebtedness of the Company maturing during such fiscal year.

NOTE D—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

CITY STORES COMPANY (Individually)

PROFIT AND LOSS STATEMENT

YEAR ENDED JANUARY 31, 1946

INCOME:

Dividends from subsidiary companies—cash.....	\$1,687,483.50	
Payments by subsidiary companies for management, advisory and sales service, less amount of \$256,303.99 transferred to City Stores Mercantile Company, Inc. (a wholly owned subsidiary) for buying services..	274,764.72	
Miscellaneous.....	7,500.00	\$1,969,748.22

DEDUCTIONS:

General expenses.....	\$ 175,058.24	
Interest on long term notes payable.....	170,287.23	345,345.47

PROFIT BEFORE TAXES ON INCOME.....		\$1,624,402.75
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FEDERAL NORMAL INCOME TAX AND SURTAX AND DECLARED VALUE EXCESS-

PROFITS TAX—estimated—Note A:

Provision for year.....	\$ 100,000.00	
Underprovision for prior year.....	56,211.72	156,211.72

NET PROFIT FOR YEAR.....		\$1,468,191.03
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NOTE A—No provision is required for federal excess profits tax on income of the current year.

For the year ended January 31, 1945 the Company filed its federal income tax returns on a consolidated basis with certain of its subsidiaries and provision for the tax was made on the balance sheets of such subsidiaries. Subsequently the amount of \$56,211.72 was allocated to the Company.

CAPITAL SURPLUS

Balance at January 31, 1946.....	\$1,060,685.45
No change during year	

EARNED SURPLUS

Balance at February 1, 1945.....	\$3,280,365.03
Net profit for year.....	1,468,191.03
	\$4,748,556.06

Deduct dividends declared:

On Class A stock—55c per share.....	\$ 220,000.00	
On Common stock—55c per share.....	664,630.20	884,630.20

BALANCE AT JANUARY 31, 1946—Note B.....		\$3,863,925.86
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NOTE B—Reference is made to Notes C and D of "Notes to Balance Sheet."

LIT BROTHERS AND

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash.....		\$ 3,001,491.17
United States Government securities—at cost and accrued interest.....		5,833,526.93
Accounts receivable:		
Trade—including installment accounts of \$1,180,479.16	\$3,788,452.11	
Creditors' debit balances.....	66,611.71	\$3,855,063.82
Less reserve.....	303,000.00	3,552,063.82
Merchandise inventories—Note A.....		3,209,877.48
TOTAL CURRENT ASSETS.....		\$15,596,959.40

INVESTMENTS AND OTHER ASSETS:

Securities—at cost:		
United States Government securities and accrued interest—Note D.....	\$ 276,432.29	
Capital stock of a parent company (indicated market value \$525,000.00).....	156,025.00	
Sundry investments.....	42,399.95	\$ 474,857.24
Mortgages receivable (including \$266,710.20 purchased through a parent company or other affiliates).....	284,876.90	
Sundry accounts receivable, deposits, and cash in closed banks.....	133,509.34	
Officer's note receivable (secured by capital stock of a parent company).....	10,000.00	
Refundable taxes on income of prior years—estimated.....	1,325,000.00	2,228,243.48
PROPERTY, PLANT AND EQUIPMENT—AT COST:		
Land, buildings, fixtures and equipment.....	\$6,894,405.37	
Less reserves for depreciation.....	1,896,373.41	4,998,031.96
GOOD WILL.....		1,046,783.23
DEFERRED CHARGES:		
Unamortized mortgage expense, store alterations, inventory of supplies and prepaid expenses.....		186,665.72

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past five fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1946 by \$595,000.00 and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$6,000.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, which basis the Commissioner of Internal Revenue has proposed to disallow. If the Commissioner's position is sustained the taxable income will be increased by approximately the aforementioned reduction of merchandise inventories (\$595,000.00) for the five fiscal years to which the "last-in, first-out" basis has been applied, with a resulting tax liability of approximately \$470,000.00, plus interest. The net effect on earned surplus would be an increase of approximately \$71,500.00.

NOTE B—During the fiscal year, the Company sold its main store property, at a loss of \$6,461,004.40. As a result of the loss, no provision for taxes on income of the Company for the current fiscal year has been made, and refundable taxes on income of prior years have been estimated in the sum of \$1,325,000.00 through application of the carry-back provisions of the Internal Revenue Code. The Company has received a ruling from the Bureau of Internal Revenue stating that any loss sustained on the sale of the property is deductible for tax purposes, but the amount of deductible loss is subject to final determination. Until settlement of the aforementioned loss and the method of determining cost of inventories (Note A), the ultimate amount of the Company's income and excess profits taxes for all years subsequent to January 31, 1941, is subject to such final determination.

NOTE C—On March 1, 1946, a subsidiary company delivered title to its property, under agreement to sell dated September 27, 1945, used in the operations of its radio station. The resulting profit of approximately \$1,275,000.00, after provision for income taxes thereon at present rates, on this transaction, will be reflected in the subsequent fiscal year.

NOTE D—The parent Company, as lessee of the main store property sold by it during the fiscal year, has agreed to make extensions, additions, alterations and improvements to the leased property during the ensuing two fiscal years, amounting to not less than \$1,000,000.00, or in lieu thereof, to purchase a subordinated interest of a like sum, in the present mortgage on the leased property. Government bonds in the principal sum of \$275,000.00 have been deposited with the lessor, as security for performance of the terms and conditions of the lease.

NOTE E—Accumulated unpaid and undeclared dividends on the preferred 6% cumulative stock at January 31, 1946, amounted to \$21.50 per share.

\$24,056,683.79

SUBSIDIARY COMPANIES

SHEET, JANUARY 31, 1946

LIABILITIES

CURRENT LIABILITIES:

First mortgage installments due in 1946.....	\$	84,588.41	
Accounts payable.....		3,121,495.73	
Accrued accounts.....		277,736.32	
Dividends payable.....		224,994.80	
Federal and state taxes on income—estimated—Notes A and B.....		1,166,420.51	
TOTAL CURRENT LIABILITIES.....	\$	4,875,235.77	

RESERVES:

For redemption of trading stamps.....	\$	795,209.89	
For income taxes on installment sales gross profit (deferred for tax purposes)—estimated.....		180,000.00	
For contingencies.....		590,000.00	
For self-insurance.....		81,969.88	1,647,179.77

FIRST MORTGAGES ON LAND AND BUILDINGS OF SUBSIDIARIES:

Due quarterly—1946 to 1954.....	\$	572,014.56	
Due quarterly—1946 to 1955.....		1,371,577.19	\$1,943,591.75
Less current maturities—shown as current liabilities.....		84,588.41	1,859,003.34

DEFERRED CREDITS:

Deposit on sale of radio station—Note C.....	\$	250,000.00	
Prepaid rents and unearned carrying charges on installment sales.....		45,849.18	295,849.18

CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred 6% cumulative, par value \$100.00 per share; redeemable at \$105.00 per share—Note E:			
Authorized and issued 120,000 shares; outstanding 88,219.64 shares after deducting 31,780.36 shares in treasury.....	\$8,821,964.00		

Common, no par value:

Authorized and issued 1,000,000 shares; outstanding 999,145 shares after deducting 855 shares in treasury.....	999,145.00		
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TOTAL CAPITAL STOCK.....	\$9,821,109.00		
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Surplus:

Capital.....	\$	340,236.17	
Earned—Notes A and B.....		5,218,070.56	5,558,306.73
			15,379,415.73
			<u>\$24,056,683.79</u>

BALANCE SHEET,

ASSETS

CURRENT ASSETS:

Cash.....	\$1,475,171.10	
United States Government securities at cost and accrued interest.....	512,587.51	
Accounts receivable—trade (including \$109,495.76 of installment accounts) less reserve of \$117,393.84 for doubtful.....	1,130,915.34	
Merchandise inventories, less reserve of \$40,000.00—Note A.....	1,451,581.26	

TOTAL CURRENT ASSETS.....\$4,570,255.21

AFFILIATED COMPANIES:

Accounts receivable.....	8,939.39	
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INVESTMENTS AND OTHER ASSETS:

Investments:

Capital stock of a parent company (approximate market value \$88,250.00) \$	21,000.00	
Capital stock of City Stores Company—book carrying amount of 94 shares common stock.....	470.01	
Investments in other companies.....	66,319.37	
Sundry accounts receivable, advances and cash in closed banks, less reserve of \$689.34.....	35,358.97	123,148.35

INVESTMENTS IN SUBSIDIARY COMPANIES:

Maison Blanche Realty Company:

Investment in 7,085 shares of common stock (representing 99.44% of outstanding stock)—at cost (Maison Blanche Company's proportion of net tangible assets as shown by that subsidiary Company's balance sheet at January 31, 1946 amounted to \$1,458,744.15).....	\$ 894,575.00	
Notes receivable—\$45,000.00 due on demand; \$100,000.00 due November 1, 1947.....	145,000.00	
Account receivable.....	7,245.23	\$1,046,820.23

B. Lowenstein & Bros., Inc.:

Investment in 11,450 shares of common stock (its entire outstanding capital stock)—at cost—(net tangible assets as shown by that subsidiary Company's consolidated balance sheet at January 31, 1946 amounted to \$2,124,627.32).....	\$2,219,411.38	
Account receivable.....	663.57	2,220,074.95
		3,266,895.18

EQUIPMENT AND IMPROVEMENTS—AT COST:

Furniture, fixtures and equipment.....	\$1,112,697.69	
Less reserves for depreciation.....	702,669.48	\$ 410,028.21
Improvements to leased property.....	\$ 417,366.58	
Less reserve for amortization.....	193,342.73	224,023.85
		634,052.06

GOOD WILL—as stated on books.....376,031.24

DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses.....	105,026.57	
		<u>\$9,084,348.00</u>

JANUARY 31, 1946

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, including \$605.51 to affiliated company.....	\$ 879,591.37	
Accrued salaries, taxes and expenses.....	111,316.35	
Federal and state taxes on income—estimated—Note B.....	1,390,000.00	
TOTAL CURRENT LIABILITIES.....	\$2,380,907.72	

RESERVES:

For self-insurance.....	\$ 24,800.00	
For post war contingencies.....	75,000.00	99,800.00

DEFERRED INCOME:

Unrealized gross profit and carrying charges on installment sales.....		44,860.29
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CAPITAL STOCK AND SURPLUS:

Capital stock:

Common stock—par value \$50.00 per share:			
Authorized 120,000 shares; 80,000 shares issued.....	\$4,000,000.00		

Surplus:

Capital surplus.....	\$ 250,000.00		
Earned surplus.....	2,308,779.99	2,558,779.99	6,558,779.99

CONTINGENT LIABILITY:

As guarantor on realty leases of Maison Blanche Realty Company, the annual rent of which is \$8,000.00 plus insurance and realty taxes to September 30, 1971.

NOTE A—Inventories of merchandise on hand are priced on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Merchandise in transit is priced at invoice cost. The basis of "last-in, first-out", which has been adopted by the Company for the past five fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1946 by \$335,222.50 and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$5,800.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, which basis the Commissioner of Internal Revenue has proposed to disallow. If the Commissioner's position is sustained the taxable income will be increased by approximately the aforementioned reduction of merchandise inventories (\$335,222.50) for the five fiscal years to which the "last-in, first-out" basis has been applied, with a resulting tax liability of approximately \$188,100.00, plus interest. The net effect on earned surplus would be an increase of approximately \$130,000.00.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including the matter referred to in Note A above.

\$9,084,348.00

M A I S O N B L A N C H E R E A L T Y C O M P A N Y

BALANCE SHEET

JANUARY 31, 1946

A S S E T S

CURRENT ASSETS:

Cash.....		\$	8,367.75
Accounts and notes receivable—tenants, less reserve of \$10,000.00 for doubtful.....			12,663.94
TOTAL CURRENT ASSETS.....		\$	21,031.69

OTHER ASSETS:

Sundry accounts receivable.....			2,823.66
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LAND, BUILDINGS AND EQUIPMENT—AT COST:

Land.....		\$1,266,616.45	
Buildings, fixtures, equipment, etc.....	\$2,622,536.67		
Less reserves for depreciation.....	1,282,298.50	1,340,238.17	2,606,854.62

DEFERRED CHARGES:

Prepaid insurance, taxes and expenses.....			36,837.47
			<u>\$2,667,547.44</u>

L I A B I L I T I E S

CURRENT LIABILITIES:

Notes payable:			
Bank loan installments due in 1946.....	\$	249,000.00	
Affiliated company due on demand.....		45,000.00	
Purchase mortgage note due in 1946.....		10,000.00	\$ 304,000.00
Accounts payable, including \$7,245.23 to an affiliated company.....			21,011.28
Accrued interest, taxes and expenses.....			36,228.53
Federal and state taxes on income—estimated—Note A.....			46,327.07
TOTAL CURRENT LIABILITIES.....			\$ 407,566.88

AFFILIATED COMPANY:

Note payable—1¾% due November 1, 1947.....			100,000.00
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LONG TERM OBLIGATIONS:

Note payable to bank—1¾% maturing \$83,000.00 quarterly from May 1, 1946 through August 1, 1948, and \$87,000.00 on November 1, 1948—Note B.....	\$	917,000.00	
Less installments included in current liabilities.....		249,000.00	\$ 668,000.00
Purchase mortgage notes—4½% maturing \$10,000.00 annually on July 15, 1946 to July 15, 1948, and \$5,000.00 due July 15, 1949.....	\$	35,000.00	
Less note included in current liabilities.....		10,000.00	25,000.00
			693,000.00

CAPITAL STOCK AND SURPLUS:

Capital stock:			
Common stock—par value \$100.00 per share:			
Authorized 7,500 shares.....	\$	750,000.00	
Less 375 shares in treasury.....		37,500.00	\$ 712,500.00
Earned surplus—Note C.....		754,480.56	1,466,980.56
			<u>\$2,667,547.44</u>

NOTE A—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

NOTE B—Note payable to bank is secured by assignment of rentals under lease dated October 24, 1945 wherein Maison Blanche Company agrees to pay an annual rental of \$360,000.00 covering the main building and annex, for the three years ending November 1, 1948.

NOTE C—Restricted in the amount of \$37,500.00 representing the par value of shares in the treasury.

B. LOWENSTEIN & BROS., INC. AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1946

ASSETS

CURRENT ASSETS:

Cash.....			\$1,270,431.29
United States Government securities at cost and accrued interest.....			555,156.25
Accounts receivable—trade (including \$87,907.51 of installment accounts) less reserve of \$52,000.00 for doubtful.....			760,113.34
Merchandise inventories, less reserve of \$100,000.00—Note A.....			898,491.19

TOTAL CURRENT ASSETS.....			\$3,484,192.07
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AFFILIATED COMPANIES:

Accounts receivable.....			6,587.48
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INVESTMENTS AND OTHER ASSETS:

Sundry investments—less reserve of \$3,663.00.....	\$	1.00	
Employees and sundry notes and accounts receivable.....		13,620.83	13,621.83

LAND, BUILDINGS AND EQUIPMENT—AT COST:

Land, including \$32,655.95 acquired for future expansion.....	\$	52,655.95	
Buildings, fixtures and equipment.....	\$1,281,093.14		
Less reserves for depreciation.....	847,253.28	433,839.86	
Improvements to leased property.....	\$ 118,308.33		
Less reserve for amortization.....	62,075.78	56,232.55	542,728.36

GOOD WILL—as stated on books.....			150,000.00
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses.....			58,561.50
			<u>\$4,255,691.24</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, including \$903.07 to affiliated companies.....			\$1,119,935.61
Accrued salaries, taxes and expenses.....			72,400.48
Federal taxes on income—estimated—Note B.....	\$	763,400.00	
Less United States tax notes purchased for payment of such taxes when due.....		90,414.00	672,986.00

TOTAL CURRENT LIABILITIES.....			\$1,865,322.09
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RESERVES:

For special compensation and self-insurance.....	\$	61,500.00	
For post war contingencies.....		25,000.00	86,500.00

DEFERRED INCOME:

Unrealized gross profit and carrying charges on installment sales.....			29,241.83
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CAPITAL STOCK AND SURPLUS:

Capital stock:			
Common stock—no par value, declared value \$100.00 per share:			
Authorized 15,000 shares; 11,450 shares issued.....	\$1,145,000.00		
Surplus:			
Capital surplus.....	\$	414,719.33	
Earned surplus (since October 1, 1938).....		714,907.99	1,129,627.32
			<u>2,274,627.32</u>
			<u>\$4,255,691.24</u>

NOTE A—Inventories of merchandise on hand are priced on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Merchandise in transit is priced at invoice cost. The basis of "last-in, first-out", which has been adopted by the Company for the past five fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1946 by \$126,901.53, as compared with a reduction of \$143,797.73 at January 31, 1945. The resulting effect on the net profit (after taxes on income) for the year ended January 31, 1946, is to increase such net profit by approximately \$2,400.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, which basis the Commissioner of Internal Revenue has proposed to disallow. If the Commissioner's position is sustained the taxable income will be increased by approximately the aforementioned reduction of merchandise inventories (\$126,901.53) for the five fiscal years to which the "last-in, first-out" basis has been applied, with a resulting tax liability of approximately \$75,700.00, plus interest. The net effect on earned surplus would be an increase of approximately \$38,500.00.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including the matter referred to in Note A above.

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash.....	\$1,466,121.88
United States Government securities at cost and accrued interest.....	760,045.65
Accounts receivable—trade (including \$93,336.71 of installment accounts) less reserve of \$150,000.00 for doubtful.....	669,378.92
Merchandise inventories, less reserve of \$198,134.68—Note A.....	672,040.76

TOTAL CURRENT ASSETS..... \$3,567,587.21

AFFILIATED COMPANIES:

Accounts receivable.....	10,984.48
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INVESTMENTS AND OTHER ASSETS:

Investments:

In parent company—at cost (426 shares common stock of City Stores Company).....	\$ 4,695.75		
Sundry, less reserve of \$6,035.82.....	3,802.50	\$ 8,498.25	
Cash surrender value of life insurance.....	47,693.27		
Sundry accounts receivable, etc.....	5,610.46		61,801.98

LAND, BUILDINGS AND EQUIPMENT—Note B:

Land.....		\$1,004,465.96	
Buildings, equipment, furniture, fixtures, etc.....	\$1,584,973.59		
Less reserves for depreciation.....	632,151.12	952,822.47	1,957,288.43

GOOD WILL—as stated on books.....	800,000.00
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes, interest, etc.....	28,826.55
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NOTE A—Inventories of merchandise on hand are priced on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Merchandise in transit is priced at invoice cost. The basis of "last-in, first-out", which has been adopted by the Company for the past five fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1946 by \$173,806.04 and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$1,100.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, which basis the Commissioner of Internal Revenue has proposed to disallow. If the Commissioner's position is sustained the taxable income will be increased by approximately the aforementioned reduction of merchandise inventories (\$173,806.04) for the five fiscal years to which the "last-in, first-out" basis has been applied, with a resulting tax liability of approximately \$133,200.00, plus interest. The net effect on earned surplus would be an increase of approximately \$26,000.00.

NOTE B—Land stated at cost paid for in cash or capital stock at time of organization; buildings, fixtures and equipment stated at cost less subsequent accruing depreciation.

NOTE C—All gross profit and carrying charges on installment sales are taken into income in year in which sales are made.

NOTE D—In accordance with resolution of the Board of Directors on January 23, 1946 notice was sent to each preferred stockholder on January 29, 1946, that the preferred stock of the parent company would be redeemed as of May 1, 1946, at \$120.00 per share, plus accrued dividends to May 1, 1946.

NOTE E—Restricted in the amount of \$880,100.00, representing the par value of preferred shares held in treasury.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including the matter referred to in Note A above.

\$6,426,488.65

SHEET, JANUARY 31, 1946

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, including mortgage installments of \$30,642.28 due within one year . . .	\$	680,209.30	
Accrued salaries and taxes		131,448.69	
Federal and state taxes on income—estimated—Note F	\$1,326,204.55		
Less United States tax notes purchased for payment of such taxes when due	100,860.00		1,225,344.55
TOTAL CURRENT LIABILITIES			\$2,037,002.54

LONG TERM OBLIGATIONS:

First Mortgage—3½%—on land, buildings and fixtures, due February 7, 1948, with semi-annual installment payments of \$20,000.00 each from August 7, 1946	\$	525,000.00	
Less amount included in current liabilities	20,000.00		\$ 505,000.00
Real estate mortgage—3½%—payable in 175 monthly installments of \$1,429.77 each, which includes interest on the unpaid principal balance at date of payment (payable by subsidiary)	\$	195,743.05	
Less amount included in current liabilities	9,586.36		186,156.69
Real estate mortgage—4%—payable in 147 monthly installments of \$147.94 each, which includes interest on the unpaid principal balance at date of payment (payable by subsidiary)	\$	16,061.29	
Less amount included in current liabilities	1,055.92		15,005.37
			706,162.06

RESERVES:

For special compensation, pensions, etc.	\$	154,524.40	
For contingencies		25,000.00	179,524.40

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$100.00 per share:			
Preferred stock—7% cumulative—redeemable at \$120.00 per share—Note D:			
Authorized and issued 10,000 shares	\$1,000,000.00		
Less 8,801 shares in treasury	880,100.00		\$ 119,900.00
Common stock:			
Authorized 20,000 shares	\$2,000,000.00		
Less unissued 3,780 shares	378,000.00		1,622,000.00
			\$1,741,900.00
Earned surplus—Notes D and E		1,761,899.65	3,503,799.65
			<u>\$6,426,488.65</u>

KAUFMAN-STRAUS COMPANY, INC. AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1946

ASSETS

CURRENT ASSETS:			
Cash.....		\$	368,703.10
United States Government securities at cost and accrued interest.....			251,293.54
Accounts receivable—trade (including \$34,660.82 of installment accounts) less reserve of \$20,000.00 for doubtful.....			371,724.95
Merchandise inventories, less reserve of \$10,000.00—Note A.....			461,649.54
TOTAL CURRENT ASSETS.....			<u>\$1,453,371.13</u>
AFFILIATED COMPANIES:			
Accounts receivable.....			6,459.71
INVESTMENTS AND OTHER ASSETS:			
Sundry investments.....	\$	503.00	
Employee and sundry accounts receivable.....		3,423.81	
Claim for refund of surtax on undistributed profits.....		9,122.47	13,049.28
FIXTURES, EQUIPMENT AND IMPROVEMENTS—Note B:			
Furniture, fixtures and equipment.....	\$275,322.95		
Less reserves for depreciation.....	159,889.87	\$115,433.08	
Improvements to leased buildings.....	\$158,766.86		
Less reserves for amortization.....	59,823.53	98,943.33	214,376.41
GOOD WILL—as stated on books.....			419,343.80
DEFERRED CHARGES:			
Inventory of supplies, prepaid insurance, taxes and expenses.....			28,521.92
			<u>\$2,135,122.25</u>

LIABILITIES

CURRENT LIABILITIES:			
Accounts payable, including \$2,079.57 to affiliated companies.....	\$	479,089.33	
Accrued salaries, taxes and expenses.....		48,968.02	
Federal and state taxes on income—estimated—Note D.....	\$368,841.64		
Less United States tax notes purchased for payment of such taxes when due.....	320,620.00		48,221.64
TOTAL CURRENT LIABILITIES.....			<u>\$ 576,278.99</u>
DEFERRED INCOME:			
Unrealized gross profit and carrying charges on installment sales.....			11,003.13
RESERVE:			
For contingencies.....			25,000.00
CAPITAL STOCK AND SURPLUS:			
Capital stock:			
Preferred stock—7% cumulative—par value \$100.00 per share—Note C:			
Authorized and issued—10 shares.....	\$	1,000.00	
Preferred stock—5%—cumulative—par value \$100.00 per share:			
Authorized 2,422 shares; issued 2,395 shares.....	\$239,500.00		
Less retired 1,550 shares.....	155,000.00	84,500.00	
Common stock—par value \$100.00 per share:			
Authorized and issued 8,000 shares.....		800,000.00	
		\$885,500.00	
Surplus:			
Capital surplus.....	\$241,896.31		
Earned surplus since February 1, 1940—Notes C and D...	395,443.82	637,340.13	1,522,840.13
			<u>\$2,135,122.25</u>

NOTE A—Inventories of merchandise on hand are priced on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Merchandise in transit is priced at invoice cost. The basis of "last-in, first-out", which has been adopted by the Company for the past five fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1946 by \$78,922.07 and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$500.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, which basis the Commissioner of Internal Revenue has proposed to disallow. If the Commissioner's position is sustained the taxable income will be increased by approximately the aforementioned reduction of merchandise inventories (\$78,922.07) for the five fiscal years to which the "last-in, first-out" basis has been applied, with a resulting tax liability of approximately \$40,700.00, plus interest. The net effect on earned surplus would be an increase of approximately \$33,000.00.

NOTE B—Stated at sound values as determined in January, 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation and amortization.

NOTE C—Accumulated unpaid and undeclared dividends at January 31, 1946 on the 7% cumulative preferred stock amounted to \$1,050.00.

NOTE D—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including the matter referred to in Note A above.

R. H. WHITE CORPORATION

And its Subsidiary Company, R. H. White Realty Company

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1946

ASSETS

CURRENT ASSETS:

Cash.....	\$ 760,449.09
United States Government securities at cost and accrued interest.....	603,125.00
Accounts receivable—trade (including \$327,445.84 of installment accounts) less reserve of \$59,429.07.....	1,186,054.86
Merchandise inventories—at lower of cost or market as determined by the retail inventory method, less reserve of \$61,236.00.....	1,706,925.80

TOTAL CURRENT ASSETS..... \$4,256,554.75

AFFILIATED COMPANIES:

Accounts receivable.....	12,158.50
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INVESTMENTS AND OTHER ASSETS:

Sundry investments.....	\$ 4,960.00
Sundry accounts receivable.....	8,319.42

LAND, BUILDINGS AND EQUIPMENT—AT COST:

Land.....	\$1,469,013.88
Building, fixtures and equipment.....	\$1,419,630.69
Less reserves for depreciation.....	102,702.19
Improvements to leased property.....	\$ 21,165.43
Less reserve for amortization.....	10,138.18
	11,027.25
	2,796,969.63

DEFERRED CHARGES:

Inventory of supplies, prepaid insurance and expenses.....	160,197.78
	<u>\$7,239,160.08</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 475,045.66
Mortgage note—4¼%—due December 31, 1946.....	427,000.00
Mortgage installments due in 1946.....	47,342.81
Accrued salaries, taxes and expenses.....	150,391.33
Federal taxes on income—estimated—Note B.....	273,587.27
	<u>\$1,373,367.07</u>

LONG TERM OBLIGATIONS:

Mortgage note—4%—payable \$30,000.00 annually—maturity February 1, 1959.....	\$1,320,000.00
Less installment included in current liabilities.....	30,000.00
Mortgage note—4%—payable \$2,833.33 monthly—applicable to principal and interest—maturity July 15, 1960.....	\$ 416,428.87
Less installments included in current liabilities.....	17,342.81
	399,086.06
	1,689,086.06

RESERVE:

For restoration of leased properties.....	441,899.00
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DEFERRED INCOME:

Unearned carrying charges on installment sales.....	11,460.60
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CAPITAL STOCK AND SURPLUS:

Capital stock:	
Preferred 6% cumulative—par value \$100.00 per share:	
Authorized and issued 25,000 shares—Note A.....	\$2,500,000.00
Common—no par value:	
Authorized and issued 10,000 shares.....	1,000,000.00
	\$3,500,000.00
Earned surplus.....	223,347.35
	3,723,347.35
	<u>\$7,239,160.08</u>

CONTINGENT LIABILITY:

Unused balances of letters of credit \$800.00.

NOTE A—The purchase, from City Stores Company, of 1,000 shares of preferred stock (to be held in treasury) at par plus accrued dividends has been authorized but not consummated at January 31, 1946.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

CONSOLIDATED BALANCE SHEET

A S S E T S

CURRENT ASSETS:

Cash on hand and in banks	\$2,078,356.08
United States Government securities—at cost—and accrued interest (market value \$891,701.41)	863,701.41
Marketable securities—at market quotation plus accrued interest	99,210.50
Accounts receivable, customers and miscellaneous, less reserve for doubtful accounts	894,785.44
Merchandise inventory—valued at the lower of cost or market based upon the retail method, less reserve for discount	1,277,947.50
Merchandise in transit—at invoice cost	119,723.41
Excess profits tax refundable under Tax Adjustment Act of 1945	9,421.13
TOTAL CURRENT ASSETS	<u>\$5,343,145.47</u>

SUNDRY INVESTMENTS:..... 5,534.00

CLAIM FOR REFUND OF PRIOR YEAR'S FEDERAL TAXES ON INCOME UNDER CARRY-BACK PRO-
VISION OF REVENUE ACT..... 65,000.00

FIXED ASSETS:

Land and buildings—at cost—subject to mortgages payable—shown
contra—Note A:

Land	\$1,461,707.20
Buildings	\$2,565,759.25
Less: Reserve for depreciation	1,432,810.06
	<u>1,132,949.19</u>
	\$2,594,656.39
Furniture and fixtures and improvements of parent company at July 31, 1934, nominal value of \$1.00, plus subsequent additions at cost	\$ 713,988.95
Less: Reserve for depreciation	416,053.21
	<u>297,935.74</u>
	2,892,592.13

DEFERRED CHARGES

	171,476.50
	<u><u>\$8,477,748.10</u></u>

AND WHOLLY-OWNED SUBSIDIARIES

AS AT JANUARY 31, 1946

LIABILITIES

CURRENT LIABILITIES:

Accounts payable—merchandise—net.....	\$ 674,196.10	
Accounts payable—merchandise in transit.....	119,723.41	
Sundry accounts payable and accrued expenses.....	692,744.56	
Mortgage installments payable within one year.....	28,735.04	
Reserve for Federal taxes on income—Note B.....	\$ 546,029.90	
Less: United States Treasury Notes, Series C—including interest.....	546,029.90	—

TOTAL CURRENT LIABILITIES.....		\$1,515,399.11
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MORTGAGE PAYABLE IN INSTALLMENTS THROUGH 1954—Note A.....	\$1,748,947.90	
Less: Current installments shown above.....	28,735.04	1,720,212.86

TOTAL LIABILITIES.....		\$3,235,611.97
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DEFERRED INCOME.....		11,032.85
RESERVE FOR INSURANCE.....	\$ 30,151.12	
RESERVE FOR CONTINGENCIES.....	150,000.00	180,151.12

CAPITAL STOCK—PAR VALUE \$10.00 PER SHARE:

Authorized and issued..... 220,000 shares.....	\$2,200,000.00	
Less: Held in treasury... 20,037 shares.....	200,370.00	
Outstanding..... <u>199,963</u> shares.....		1,999,630.00

SURPLUS:

Initial and capital surplus.....	\$1,655,709.36	
Earned surplus—Note B.....	1,395,612.80	3,051,322.16

NOTE A—The assets of the wholly-owned subsidiaries consist primarily of land and buildings which are subject to mortgages aggregating \$1,748,947.90, of which installments aggregating \$28,735.04 are due within one year. Such subsidiaries are the primary obligors on the bonds secured by the mortgages, and Oppenheim, Collins & Co., Inc. is not liable thereunder.

NOTE B—The reserve for Federal taxes on income has been determined by application of the effective tax rate for the fiscal year ending July 31, 1946, based on the estimated profit of the corporation for such year, to the profits for the six months ended January 31, 1946.

The corporation files consolidated Federal tax returns and in the computation of the provision for Federal taxes on income for the year ended July 31, 1945, a loss of \$1,033,111.30 on the sale of real estate by a subsidiary has been taken as a deduction. If it were not for such deduction, the provision for Federal taxes on income for such year would have been approximately \$805,000.00 greater and the corporation would not be entitled to file a claim for a refund of \$65,000.00 under the carry-back provisions of the Revenue Act.

The accompanying statement is subject to final determination of the liability for Federal, state and local taxes.

\$8,477,748.10

S. D. LEIDESDORF & CO.
CERTIFIED PUBLIC ACCOUNTANTS
125 PARK AVENUE
NEW YORK

TO THE BOARD OF DIRECTORS,
OPPENHEIM, COLLINS & CO., INC.,
NEW YORK, N. Y.

We have examined the consolidated balance sheet of Oppenheim, Collins & Co., Inc. (a Delaware corporation) and wholly-owned subsidiaries as at January 31, 1946. In connection therewith, we have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We made a review of inventory methods and procedures and had representatives present during the taking of the inventories. We made substantial tests of the quantities recorded and also test-checked prices and mathematical calculations. A test-check of accounts receivable was made by direct correspondence with customers.

In our opinion, the accompanying consolidated balance sheet, together with the Notes to Consolidated Balance Sheet, fairly presents the financial position of Oppenheim, Collins & Co., Inc. (a Delaware corporation) and wholly-owned subsidiaries as at January 31, 1946 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

April 1, 1946.

OPPENHEIM, COLLINS & Co., Inc.

New York, 34th Street



Philadelphia, Pa.



Buffalo, N. Y.



Brooklyn, N. Y.



Garden City, N. Y.



White Plains, N. Y.

